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GUIDELINES AND PROCEDURES GOVERNING ACCEPTANCE AND FUNDING UNDER SPECIAL TRUST FUNDS, INDUSTRIAL DEVELOPMENT FUND AND THE REGULAR BUDGET

Report on preparation of comprehensive policy guidelines for all projects funded from UNIDO-administered funds

Report by the Director-General

Summary

In response to General Conference resolution GC.5/Res.8, reports on the preparation of comprehensive policy guidelines for all projects funded from funds administered by UNIDO and describes procedures for the implementation of those guidelines.

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Introduction

1. The present document is submitted to the Committee in accordance with resolution GC.5/Res.8 adopted by the General Conference at its fifth session and specifically paragraph 2 (a), in which the Director-General was requested to prepare comprehensive policy guidelines for all projects financed from funds administered by UNIDO, as stated in document GC.5/29.

2. In previous documents (GC.4/36, IDB.10/15 and IDB.11/19) specific guidelines for special trust fund projects were presented to the General Conference and the Industrial Development Board. Those guidelines covered the policy framework, development objectives, conformity to the requirements of the Constitution and the financial regulations of UNIDO, project selection criteria, project appraisal criteria, project approval policy, project implementation and project evaluation. In light of the new policy framework and the organizational and staff structure of UNIDO as set out in document GC.5/23 and approved by the General Conference in GC.5/Res.18, it was necessary to develop uniform guidelines and procedures for programmes and projects financed from all sources of funds, taking all those aspects into account. Therefore, in February 1994 the Director-General constituted an interdivisional working group entrusted with the tasks of elaborating a new set of guidelines and procedures for managing UNIDO services and developing new terms of reference for the Programme and Project Review Committee (PPRC).

3. The result of the deliberations of this working group is the new service management process, which was designed taking into full consideration the spirit of the restructuring and the new priorities of UNIDO, and which is described in detail in Director-General's Bulletin UNIDO/DG/B.177, "Guidelines for the Management of UNIDO Services", issued on 26 April 1994. As described briefly below, those new guidelines apply to all activities of the Organization financed from extrabudgetary sources, including self-financed and third-party-financed trust funds, as well as the Industrial Development Fund (IDF), thus ensuring full transparency and control over all types of projects and making

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effective linkages between them possible (see also document IDB.13/4-PBC.10/5).

4. In accordance with the new comprehensive guidelines, UNIDO services will strive to attain the highest quality in terms of relevance to the recipient countries' development objectives and priorities and to the specific needs of the target beneficiaries, as well as cost effectiveness and sustainability of impact. The PPRC, whose functions are described in Director-General's Bulletin UNIDO/DG/B.178, has been entrusted by the Director-General with the task of ensuring that the services provided under projects it approves are designed and delivered in accordance with the Organization's mandate, policies, priorities, established quality standards, and financial and other applicable rules and regulations.

I. GUIDELINES FOR THE MANAGEMENT OF UNIDO SERVICES

5. The new guidelines and procedures are based on the principles of demand orientation on the one hand and efficiency, transparency and accountability on the other. The service management process applies to all services that are subject to review by the PPRC and its subcommittee, as well as to services provided by UNIDO in connection with United Nations Development Programme (UNDP) projects; however, it will be modified in specific cases as described in Director-General's Bulletin UNIDO/DG/B.177, annex II.

6. More specifically, the projects to be reviewed by PPRC and its subcommittee are all those proposed for financing under the following sources of funds: Regular Programme of Technical Cooperation, including the technical cooperation component of the Industrial Development Decade for Africa (IDDA); supplementary activities for IDDA including short-term technical advisory services (STAS); Industrial Development Fund (IDF) including special-purpose and general-purpose contributions; special trust fund contributions, both self-financed and third-party-financed; certain UNDP-financed activities including Special Industrial Services (SIS) and technical support services at the programme level (TSS-1); as well as other funding sources such as environment-related funds (specifically the Multilateral Fund for the Implementation of the Montreal Protocol, Global Environmental Facility and Capacity 21).

7. While different guidelines and procedures applied to projects financed through various funding mechanisms in the past, it is the intention of the new service management process to ensure that all requests for UNIDO services are dealt with in an expeditious and consistent manner, and in accordance with similar guidelines and following a well-defined set of procedures. This is considered essential to ensure that all services provided by UNIDO to its clients reflect the same quality standards. The new procedures are also intended to reduce bureaucratic delays and to ensure an efficient and systematic approach, designed to save time and resources, while ensuring quality management and improving coordination and teamwork.

8. The responsibility for designing UNIDO services and assuring their quality is decentralized in line with the improved management procedures of the Organization laid down in document GC.5/23. Transparency is also ensured by these procedures because all competent parties within the Organization are aware of the projects being developed and have the possibility and the obligation to take action when required. The procedures provide for close consultations with the divisional quality assurance officers; however, it is the line managers who will have the overall responsibility and accountability for the quality of services to be delivered.

UNIDO programming framework

9. The basis of the service management process is a coherent programming framework, which would apply to all UNIDO services and would have three elements:

(a) UNIDO country support strategies, which will be prepared for a selected group of countries in each developing region in accordance with the United Nations system's overall country strategy notes. They will describe a comprehensive UNIDO response to the industrial development constraints and prospects of a country (or similarly, a region or subregion). Based on a continuing policy dialogue between UNIDO and the Government and other industrial actors in a given country, the support strategy will help set a realistic framework for the programming of UNIDO services for industrial development in the respective country;

(b) UNIDO country programming briefs, which will be prepared for all countries to which UNIDO provides, or intends to provide, services and for which a UNIDO country support strategy may not, so far, have been prepared. These programming briefs will provide essential information required for the programming of UNIDO services in response to a country's needs;

(c) Subsectoral and thematic programming frameworks, which will be prepared to define the nature, type and scope of services that UNIDO can offer in various industrial subsectors, as well as in cross-sectoral (thematic) priority areas, where the Organization has specialized knowledge and capability and where it has a comparative advantage over other bodies.

10. UNIDO will be able to use the programming framework to communicate to potential clients its readiness to provide a range of services, and recipient countries will be able to use this information to help formulate requests to UNIDO for specific services. While this programming framework, in particular the UNIDO country support strategies, will serve as a basic programme orientation and set relevant priorities, it will not act as a "strait-jacket" to restrict the provision of services. In particular, while the programme framework is being developed for countries and regions, projects and services will continue to be planned and undertaken in line with UNIDO's reoriented priorities.

UNIDO service management process

11. The UNIDO service management process is described in terms of eight stages, which are outlined below:

(a) Screening of service requests and proposals: At the screening stage the Country Strategy and Programme Development Division (CPD) will assess the conformity of a request for services to the country's industrial development

priorities and to UNIDO's mandate, policies and objectives; the Funds Mobilization Division will assess the potential availability of funds, and the technical divisions will assess the technical content of the request and the capability of UNIDO to respond to it. This stage is intended to eliminate, at the very beginning, requests that are incompatible with UNIDO's mandate or policies, or which have no chance of finding financial support, or are technically unsound, or where UNIDO does not have the necessary delivery capacity.

(b) Designation of a service manager or service team: This stage determines whether the service is to be provided by a single service manager or will require a team to cover all aspects of the requested service. It will serve to increase the quality of services provided and improve resource utilization by ensuring that all relevant aspects of a proposed project are adequately considered from the beginning through the team-building mechanism.

(c) Preparatory assistance: If required, a preparatory assistance mission may be undertaken to determine the objective of the proposed UNIDO service and prepare a project document.

(d) Formulation of the project document: At this stage, unless there has been a preparatory assistance mission, the service manager or team leader will undertake an in-depth assessment of the existing problem, analyse the client's programme and the constraints faced, and determine the purpose and nature of the UNIDO service. This will constitute the basis for formulation of the project document, which should involve participation by the client and the intended beneficiaries to define the most appropriate strategy. The service manager or team leader is responsible for ensuring that all services, as formulated in the project document, meet the established quality standards of relevance, cost-effectiveness and sustainability.

(e) Consideration of the project document by PPRC: All project documents for which the Director-General has delegated the authority to PPRC to review and approve or recommend for approval shall be subject to the same scrutiny.

(f) Securing of funds: The mobilization of appropriate and sufficient funds is necessary for, and depends upon, the ability of the Organization to provide high quality services that respond to the needs of recipient countries and correspond to the priorities of donors. Although listed as a separate stage this is, in fact, a continuous process during which the Mobilization and Management of Financial Resources Division will pursue regular contacts with Governments and other funding sources to secure common understanding on funding strategies to support the programmes and projects through which UNIDO provides services to its clients.

(g) Service delivery and monitoring: While sufficient attention to the quality of service design is important, the quality of service delivery is critical for achieving impact at the beneficiary level in a sustainable manner. During the delivery stage, effective monitoring is indispensable in order to identify operational problems, take remedial action, avoid repeating mistakes and replicate successes.

(h) Evaluation: Although a monitoring tool, evaluation is identified as a separate stage because it does not entail day-to-day monitoring activities, which tend to focus on the delivery of inputs, but reviews service delivery in terms of achievement of objectives and sustainable impact. The evaluation of services provided under all sources of funds is essential because the Organization draws on the lessons learned from evaluations to improve the design and delivery of its future services.

Country programme monitoring

12. A new instrument has been established in the form of country programme monitoring groups, which will ensure coordination and complementarity of all UNIDO services provided under various sources of funding. These groups, which will meet regularly, will be chaired by the country officer concerned from the Country and Programme Division and include all service managers or team leaders implementing services in a given country. The groups will have the following tasks:

(a) To ensure that relevant country-level developments (e.g. changing government priorities, social issues, resource constraints and macroeconomic imbalances) are taken into account whenever such developments are relevant for specific ongoing services;

(b) To exchange information and expertise among all those implementing UNIDO services in one country;

(c) To identify new demands and potential services linked to or stemming from ongoing activities, as inputs into programming and, where applicable, the regular updating of the UNIDO country support strategy;

(d) To assess the functioning of the service management process with regard to UNIDO services in a particular country.

II. IMPLEMENTATION OF THE NEW GUIDELINES AND PROCEDURES

13. The overall aim of introducing uniform guidelines and procedures for all UNIDO projects is to increase the developmental impact of UNIDO services. The new service management process will help UNIDO to respond to countries' needs with services that fully meet the established quality criteria; provide a coherent framework for the activities of the Organization; and ensure that consistent guidelines and procedures are applied for the screening of requests and the design, approval, delivery and evaluation of all UNIDO services within that framework.

14. The new guidelines and procedures were established on a trial basis for an initial period of one year. In 1995, a review of the experience gained in the implementation of these guidelines and procedures will be undertaken and, if necessary, adjustments will be made.

III. ACTION REQUIRED OF THE COMMITTEE

15. The Committee may wish to take note of the preparation of comprehensive policy guidelines for all projects funded from UNIDO-administered funds, as requested in GC.5/Res.8.